

Location factor taxes

THE CANTON OF GLARUS FROM AN INTERNATIONAL TAX POINT OF VIEW

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Executive Summary

The Canton of Glarus offers one of the most attractive tax systems in the international environment. Starting with an ordinarily taxed company limited by shares the effective corporate income tax rate (on federal, cantonal and communal level) is already exceptionally low, i.e. 15.71%.

In addition to that, the Canton of Glarus offers several tax planning opportunities for tax paying enterprises. Depending on the proportionate participation income, the nature of business activities and its intensity in Switzerland, there are also opportunities for tax privileges resulting in permanent effective tax rates between 1.5% and 10%. Moreover, apart from cantonal incentive schemes tax holidays on federal level are available in the major part of the Canton of Glarus. In a best case, this leads to a full corporate income and capital tax exemption of up to 10 years on federal, cantonal and communal level.

With regard to individuals, who are in most cantons subject to progressive income tax rates, the Canton of Glarus not only offers broadly known measures how to reduce the income tax burden (such as the optimization of optimizing the pension welfare by making extraordinary buy-ins or deductions of specific business expenses for temporarily hired employees in Switzerland) but also various additional income tax optimization opportunities. As an example of that is dividend income derived by qualifying shareholding of at least 10% of the share capital of companies limited by shares or cooperatives. Income tax due on such dividends is reduced by 65% for cantonal/communal tax purposes. Another example is the lump sum taxation regime which offers attractive tax benefits for a specific clientele both for income and net wealth taxes. It finally remains to be mentioned the favorable flat wealth tax rate of currently 0.38%.

Apart from the various tax advantages, the Canton of Glarus offers a business-friendly environment, a well-developed infrastructure, political stability and legal certainty (the "Landsgemeinde" is the gathering of the electorates of the Canton of Glarus and it is the highest legislative organ) as well as a meritocratic administration. Both Chur respectively Zurich as the nearest greater cities and the international schools which are located nearby can be reached within approximately one hour by the well-functioning public transport system.

The Canton of Glarus will make its best efforts to answer any request in a smoothly and customer friendly manner. Inquiries are taken care of by both the business promotion authorities and the cantonal tax administration. In view of an extension or relocation of (business) activities to Switzerland, a thorough planning remains indispensable. It is of utmost importance for foreign investors to take care of the applicable laws and material regulations assisted by specialized advisors.

This documentation considers the available literature, applicable legislation, jurisdiction and standing practice as per 1 January 2014, with the exception of the schedules shown in section 13.